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RELEASED IN PART
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ACTION ARA-01

INFO	LOG-00	AMAD-01	CIAE-00	DODE-00	HA-09	H-01	INRE-00
	INR-01	L-03	ADS-00	NSAE-00	NSCE-00	OMB-01	PA-01
	PM-01	PRS-01	P-01	SDEL-01	SNP-01	SP-01	SS-01
	TRSE-00	T-01	USIE-00	/026W			

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P 222113Z NOV 91
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC PRIORITY 6373

C O N F I D E N T I A L SECTION 01 OF 03 CARACAS 12500

E.O. 12356: DECL: OADR
TAGS: PGOV, PINR, PREL, CU, VE
SUBJECT: INDEPENDENT BLOC OF DEPUTIES FORMS A NEW
POLITICAL PARTY

REF: (A) CARACAS 07259; (B) CARACAS 07433

1. C - ENTIRE TEXT.

2. SUMMARY: ACCORDING TO [REDACTED]
THE INDEPENDENT PARLIAMENTARY GROUP (GPI) HAS DECIDED TO
FORM A NEW POLITICAL PARTY CALLED THE INDEPENDENT
POPULAR FORCE (FPI). [REDACTED] ALSO COMMENTED ON
THE UPCOMING MEETING OF THE G-15 ("A WASTE OF MONEY"),
THE PROPOSED AGENDA OF THE NEWLY CREATED
VENEZUELAN-CUBAN FOUNDATION, COUP RUMORS, CONTINUED
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PROTESTS AND THEIR IMPACT ON DOMESTIC POLITICS, PENDING
LEGISLATIVE AFFAIRS, AND THE BUDGETARY IMPLICATIONS OF
DECENTRALIZATION. END SUMMARY

BACKGROUND

3. ON NOVEMBER 20 POLOFF MET WITH [REDACTED]

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"FUERZA POPULAR INDEPENDIENTE" IS BEING REGISTERED

4. [] TOLD POLOFF THAT THE GPI HAS FORMED A NEW PARTY, CALLED THE POPULAR INDEPENDENT FORCE ("FUERZA POPULAR INDEPENDIENTE" -- FPI). FPI HAS COLLECTED THE REQUIRED SIGNATURES, AND SUBMITTED LEGAL DOCUMENTATION TO THE ELECTORAL COMMISSION FOR OFFICIAL REGISTRATION. THEY EXPECT TO BE UP AND RUNNING BY THE END OF NOVEMBER. (ON ANNOUNCING ITS FORMATION LAST JULY, THE GPI HAD EMPHATICALLY DENIED ANY INTENTION OF FORMING A NEW PARTY.) AS REPORTED IN REF A, THE INDEPENDENTS BECAME THE FOURTH LARGEST VOTING BLOCK IN THE CONGRESS, AFTER AD, COPEI AND MAS.

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5. ACCORDING TO [] THE FPI IS A LIBERAL (READ: NEO-LIBERAL) PARTY, AND WILL ATTEMPT TO FILL THE POLITICAL VOID PRESENTLY EXISTING IN THE CENTER. THE PARTY INTENDS TO FIELD CANDIDATES IN THE ELECTIONS OF 1992, BUT IS NOT SURE ABMDDUJWES, AND ONE INDEPENDENT. ASKED WHO THE CANDIDATES MIGHT BE, HE SUGGESTED THAT AD WILL FIELD EITHER CLAUDIO FERMIN OR CARMELO LAURIA; COPEI'S CANDIDATE WILL BE EDUARDO FERNANDEZ; AND RAFAEL CALDERRA, "THE ETERNAL CANDIDATE", WILL BREAK AWAY FROM COPEI TO REPRESENT A NUMBER OF SMALLER PARTIES, INCLUDING MAS. AS FOR THE "INDEPENDENT", HE SAID, THAT'S ANYBODY'S GUESS, BUT HE IS CONVINCED THAT SUCH A CANDIDATE WILL EMERGE.

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[] COMMENTED, THOUGH, THAT THIS INDEPENDENT WILL NOT AUTOMATICALLY RECEIVE FPI'S SUPPORT.

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G-15 MEETING SHOWS PEREZ FOREIGN POLICY IS "PASSE"

7. ASKED ABOUT THE UPCOMING G-15 MEETING, [] BECAME VISIBLY IRRITATED. FOR HIM, THE MEETING IS A WASTE OF MONEY, AND DOES NOT SERVE THE INTEREST OF VENEZUELA. CAP'S FOREIGN POLICY JUST DOES NOT FIT THE TIMES, HE SAID. HE WONDERED ALOUD WHAT FORMER PRESIDENT NYERERE OF TANZANIA CAN TELL THEM ABOUT

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DEMOCRACY, GIVEN HIS TRACK RECORD. [] EXPRESSED
THE OPINION THAT THIS MEETING CAN ONLY BE TO SERVE CAP'S
PERSONAL DESIRE TO APPEAR A WORLD STATESMAN. HE
SUPPORTED CAP'S TRAVEL TO BRAZIL BECAUSE "LATIN AMERICAN
INTEGRATION IS WHAT OUR FOREIGN POLICY MUST BE ABOUT,"
BUT FOR THE SAME REASON, HE OPPOSES THE G-15 SUMMIT.

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VENEZUELAN-CUBAN FOUNDATION ESTABLISHED
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8. WHILE MEETING WITH POLOFF, [] RECEIVED A
CALL FROM RADIO MARTI AND WAS INTERVIEWED ABOUT THE
RECENTLY CREATED VENEZUELAN-CUBAN FOUNDATION. THE

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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC PRIORITY 6374

C O N F I D E N T I A L SECTION 02 OF 03 CARACAS 12500

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E.O. 12356: DECL: OADR

TAGS: PGOV, PINR, PREL, CU, VE

SUBJECT: INDEPENDENT BLOC OF DEPUTIES FORMS A NEW

[] EXPLAINED THAT THE FOUNDATION WAS ESTABLISHED TO PRESSURE THE GOV TO ABANDON ITS PRESENT POLICY TOWARD THE "DICTATORIAL REGIME" IN HAVANA, AND TO SUPPORT THE DEVELOPMENT OF DEMOCRACY IN THE ISLAND. IF THE GOV DOES NOT CHANGE ITS POLICY, HE SAID, THIS NEWLY ESTABLISHED FOUNDATION PLANS TO HOLD NATION-WIDE FORA ON CUBA-VENEZUELA RELATIONS AND PRESSURE THE GOVERNMENT TO CHANGE. [] TOLD POLOFF THAT HIS MOST RECENT VISIT TO THE UNITED STATES WAS FINANCED BY THE CUBAN-AMERICAN FOUNDATION. HE ALSO SAID THAT THE CUBAN-AMERICAN FOUNDATION IS ASSISTING THE VENEZUELAN-CUBAN FOUNDATION FINANCIALLY.

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COUP NO, BUT A STATE OF EMERGENCY IS POSSIBLE

9. IN REACTION TO PRESENT SPECULATIONS ABOUT A POSSIBLE COUP BECAUSE OF THE PERCEIVED SOCIAL CRISES IN THE COUNTRY, [] WAS EMPHATIC THAT NO COUP WILL TAKE PLACE. HE DID CLAIM THAT CERTAIN "POWERFUL ECONOMIC INTERESTS" WOULD LIKE TO SEE A COUP IN ORDER TO GET RID OF THE TWO MAIN POLITICAL PARTIES, AD AND COPEI, BUT THERE IS NO SUPPORT FOR THIS TYPE OF ACTION AMONG THE MILITARY. (COMMENT: WE QUESTION HIS JUDGEMENT ABOUT SUPPORT FOR A COUP EVEN AMONG "ECONOMIC INTERESTS.") HE BELIEVES THAT THE TALK ABOUT A COUP D'ETAT WAS TO PREPARE THE POPULATION FOR A POSSIBLE "STATE OF EMERGENCY" DECREE BY CAP -- A DECREE, HOWEVER, THAT MUST BE APPROVED BY CONGRESS. [] THOUGHT THERE MIGHT BE ENOUGH SUPPORT IN CONGRESS TO PASS IT. (COMMENT: WE DOUBT THAT CAP WANTS SUCH A DECREE.)

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10. [] DOES NOT BELIEVE THAT THE DEMONSTRATIONS AGAINST THE GOV'S ECONOMIC POLICY, THE INCREASE IN BUS-FARES, AND POLICE BRUTALITY, ARE A THREAT TO THE GOV. HE THINKS THE VIOLENCE THAT ACCOMPANIED THE PROTESTS WAS THE RESULT OF "FRINGE GROUPS", NOTABLY INFILTRATIONS BY SMALL NUMBERS OF "BANDERA ROJA" SYMPATHIZERS (REFERRING TO A SEMI-DORMANT GUERRILLA GROUP THAT WAS IMPORTANT IN THE 1960'S). [] BELIEVES THAT THE POPULATION REJECTS THIS VIOLENCE. FOR

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THIS REASON, THE DEMONSTRATIONS WILL EVENTUALLY PETER OUT.

11. WHAT DOES CONCERN [] IS THE WIDESPREAD
REJECTION BY THE POPULATION OF ALL POLITICIANS AND
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POLITICAL PARTIES. THIS, HE BELIEVES, IS OF FAR GREATER
CONCERN THAN THE DEMONSTRATIONS IN THE STREET. THIS
LACK OF SUPPORT TO PARTIES AND LEADERS MEANS THAT THE
GOVERNMENT IS LOOSING ITS LEADERSHIP LEGITIMACY.
ALTHOUGH THE POPULATION WILL "NEVER ACCEPT A COUP
D'ETAT" AS A SOLUTION TO THE CRISIS, THEY WILL VOTE (HE
THINKS) FOR A PRESIDENTIAL CANDIDATE NOT LINKED TO ANY
OF THE CURRENT POLITICAL PARTIES.

CONGRESS AND UPCOMING LEGISLATION

12. [] BELIEVES THAT THE NEW ELECTORAL LAW FOR
MUNICIPAL ELECTIONS WILL PASS. AD IS SUPPORTING THE
PROPOSED "UNINOMINAL" ELECTORAL SYSTEM. THE POSITION OF
COPEI AND MAS NOT TO HAVE THE SYSTEM APPLY IN LOCAL
ELECTIONS (THEY ARE AFRAID OF BEING WIPED OUT BY AD IN
SINGLE-MEMBER DISTRICTS), WILL PROBABLY BE REJECTED.

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13. ACCORDING TO [] THE VALUE ADDED TAX LAW
WILL BE APPROVED. CONGRESS IS NOW TRYING TO FIGURE OUT
MODALITIES OF THE TAX, NOT WHETHER TO HAVE A VAT. MAJOR
POINTS OF DISCUSSION ARE (1) THE OVERALL PERCENTAGE OF
THE TAX, AND (2) THE PERCENTAGE OF THE PROPOSED VAT TAX
THAT WILL GO TO THE STATES. REGARDING THE LATTER, THE
FIGURE BEING DISCUSSED IS 50 PERCENT. AS FOR THE
FORMER, NO CONSENSUS HAS EMERGED. TURNING TO REFORM OF
THE BANKING SYSTEM, [] SAID HE WAS CONVINCED
THAT THE NEW LAW WILL ALLOW FOREIGN BANKS TO COMPETE IN
THE NATIONAL MARKET.

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REGIONALIZATION AND THE FEDERAL BUDGET
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14. IN 1992 THE FEDERAL GOVERNMENT WILL PROVIDE THE
STATES A TOTAL OF 17 PERCENT OF THE FEDERAL BUDGET. OF

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THE 17 PERCENT, 30 PERCENT IS DIVIDED EQUALLY AMONG THE STATES. THE REMAINING 70 PERCENT IS ALLOCATED BASED ON OTHER FACTORS, FOR EXAMPLE, POPULATION SIZE. THE BUDGETARY LIMIT FOR TOTAL FEDERAL ALLOCATION WILL RISE TO 18 PERCENT FOR 1993. HOWEVER, THERE ARE SUGGESTIONS TO INCREASE THIS 18 PERCENT CAP TO 25 PERCENT, AND SOME CONGRESSMEN EVEN PROPOSE A 35 PERCENT FORMULA.

[REDACTED] HIMSELF LEANS TOWARDS A 50 PERCENT SHARE.

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15. SO FAR, ONLY THREE STATES HAVE PRESENTED PLANS IN

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C O N F I D E N T I A L SECTION 03 OF 03 CARACAS 12500

E.O. 12356: DECL: OADR
TAGS: PGOV, PINR, PREL, CU, VE
SUBJECT: INDEPENDENT BLOC OF DEPUTIES FORMS A NEW
THE AREA OF HEALTH CARE TO TAKE ADVANTAGE OF THE
GOVERNMENT'S DECENTRALIZATION PLAN. STATES ARE REQUIRED
TO PRESENT PLANS FOR DISCUSSION TO THE FEDERAL
GOVERNMENT IF THEY WANT TO MANAGE A FEDERAL PROGRAM. IN

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THE CASE OF THE THREE STATES WANTING TO TAKE OVER THE
FEDERAL GOVERNMENT'S PUBLIC HEALTH SERVICES, THE
MODALITIES FOR IMPLEMENTING THIS "TAKEOVER" HAVE NOT
BEEN FINALIZED BY GOVERNMENT.

16. [] EXPLAINED THAT THERE HAVE BEEN NO CLEAR
ANSWERS TO QUESTIONS RAISED REGARDING THE NATURE OF THE
RESPONSIBILITIES AND OBLIGATIONS STATES WILL ASSUME IN
THIS PROGRAM OF DECENTRALIZATION. AN EXAMPLE IS THAT OF

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THE WORK-FORCE AND ITS ASSOCIATED SOCIAL COSTS. IF THE
PRESENT (FEDERAL) CIVIL SERVANTS BECOME EMPLOYEES OF
INDIVIDUAL STATES, THE FEDERAL GOVERNMENT MUST PAY
REQUIRED INDEMNITIES (SEVERANCE PAY AND RETIREMENT,
OFTEN OVER ONE YEAR'S PAY) WHEN THE TRANSFER TAKES
PLACE. [] OPINED THAT A POSSIBLE SOLUTION IS
THAT THE WORK FORCE CONTINUE BEING PAID BY THE FEDERAL
GOVERNMENT, YET BE RESPONSIBLE TO THE STATE
GOVERNMENTS. [] CLOSED HIS COMMENTS BY
REMARKING THAT THE TAX REFORM BILL IS CRUCIAL TO THE
CONTINUING DEBATE ON DECENTRALIZATION. (COMMENT:

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[] IDEA LOOKS TO US LIKE POWER WITHOUT
RESPONSIBILITY. DECENTRALIZATION TO THE STATE
GOVERNMENTS GETS A GOOD PRESS HERE; NEARLY EVERYONE IS
IN FAVOR OF IT, AT LEAST IN THEORY. BUT IT LOOKS TO US
LIKE AN IDEA THAT, IF MISHANDLED ON DETAILS LIKE THOSE
ABOVE, COULD TURN INTO A BLACK HOLE FOR MONEY. AN
EVER-BIGGER SHARE OF FEDERAL REVENUE COULD END UP GOING
TO THE STATES, WHILE TOO MANY PERSONNEL COSTS STAY ON
CARACAS' BOOKS.)

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19. COMMENT: WITH THE ATTRACTIVE SEN. MARSICOBETRE AS LEADER, AND ASSUMING THAT IT CAN AVOID INTERNAL DIVISIONS, THE INDEPENDENT POPULAR FORCE (FPI) MAY HAVE A FUTURE AS A CENTER-RIGHT NEO-LIBERAL PARTY. THE PROBABLE LIMIT OF ITS APPEAL WOULD BE ABOUT WHAT THE "MAS" PARTY GETS ON THE LEFT: 4 PERCENT (OR LESS) ON A BAD DAY, DOUBLE THAT ON A VERY GOOD ONE. SKOL

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